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SUBJECT: Thai Government Fights Rising Unemployment

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¶11. (SBU) Summary: Not surprisingly, the global economic recession has caused the number of unemployed Thais to increase. The official unemployment rate in Thailand of about 2 percent is deceptively low because of very liberal definitions of what it means to be employed, and even then estimates are that unemployment will double or even triple this year. To combat the trend, the Royal Thai Government (RTG) Ministry of Labor (MOL) has held job fairs, conducted training programs, and promoted alternative occupations as part of a six-pronged strategy. Early indications are that these efforts may be having a positive, if limited, impact on unemployment rates. It remains unclear though whether the RTG actions will be able to keep up with - or prove wrong - expected increases in unemployment this year. End summary.

¶12. (SBU) Comment: Thai media and political pundits tend to focus on the government's coalition management, actions toward former Prime Minister Thaksin, and now prospective constitutional amendments. While these political developments are important, Thais, like citizens elsewhere, are also greatly concerned with their personal financial circumstances. The RTG's efforts to bolster employment will affect grassroots attitudes toward Prime Minister Abhisit and his administration, with implications for the governing coalition's stability and longevity. The six-pronged policy of "three reductions and three increases" is a serious attempt to address Thailand's employment concerns. Unfortunately, given the grim economic outlook, rising unemployment driven by larger economic forces may affect support for the government no matter what employment policy initiatives are implemented. End Comment.

The Unemployment Rate in Thailand

¶13. (SBU) The global economic slowdown has greatly increased the number of unemployed Thai citizens. At the end of 2008, the National Statistical Office (NSO) reported that the unemployment rate in Thailand was 1.4 percent (538,500 people). In January 2009, the rate jumped to 2.4 percent (878,900 people). The NSO reported that in February, however, the rate was down to 1.9 percent (714,600 people). While the NSO has not yet released official numbers for March or April, Ministry of Finance Fiscal Policy Office officials have been quoted in the media as stating that the March rate held at 1.9 percent. At a May 14 meeting with Econoffs, Deputy Director General Songsri Boonba of the Ministry of Labor (MOL) Department of Employment (DOE) explained that by the end of May, the MOL estimates 750,000 Thais (approximately 2 percent of the workforce) will be unemployed. The DOE believes the decrease in the rate since January

is due to companies beginning to call back laid-off staff as well as the actions of the Royal Thai Government (RTG) to combat unemployment. (Note: Skilled labor in Thailand is in short supply, so companies hoping for a turnaround in fortunes in the future will often keep staff on for longer than current revenues would justify. End note.)

14. (SBU) An economist for the International Labor Organization (ILO), Gyorgy Sziraczki, opined that the unemployment rates do not portray a clear picture. At a May 27 seminar organized by the MOL and the Friedrich-Ebert-Siftung foundation, he explained the official unemployment rate is not skyrocketing because people are seeking whatever work they can. Speaking generally about Asia, he explained how many individuals are not employed to their capacity; many are working at a lower skill level, are unable to work full-time or are on unpaid leave, yet remain classified as employed.

15. (U) The unemployment rate in Thailand is determined by the number of unemployed divided by the total labor force of approximately 37.5 million. The labor force includes Thai citizens between 15 years of age and retirement, who are available for work. Those not available for work, and thus not included in the labor force number, are homemakers, students, individuals who are physically or mentally incapable of work, individuals working without pay, and individuals who are voluntarily idle. The NSO statistics are compiled via interviews in each region of the country. In the NSO survey, a person was considered employed if during the week before they were surveyed, he or she did at least one of the following: worked for at least an hour for some kind of payment; worked for at least an hour without payment on a farm or in a business enterprise owned/operated by a family member; worked less than an hour or not at all but received payment; or worked less than an hour or not at all and did not receive payment, but had a job to which they would return. One is considered unemployed only if they are a member of the labor

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force and during the week before they were surveyed were not classified as employed. Though the definition of an employed person does not require full-time work, the statistics from February show that 83.8 percent of those employed work more than 35 hours per week; 73.5 percent work more than 40 hours per week. The NSO survey takes into account both formal and informal work; in February, 31 percent of those employed operated an enterprise on their own or as a partnership with others but without engaging other employees and 17.3 percent were unpaid family workers. As with any survey based on sample estimates, the statistics are subject to sampling and non-sampling errors.

16. (SBU) Although by developed country standards Thailand's unemployment rate may be deceptively low, the trends are significant and foreboding. Despite the unemployment rate in Thailand appearing to hold steady at 1.9 to 2 percent from February to the projected May rate, expectations are that the situation will get worse in 2009. The Thai government's National Economic and Social Development Board's (NESDB) May 25 reported that during the first quarter, the Thai economy was down 7.1 percent from a year ago. Production was in decline across the board with only two exceptions; the agricultural and fishery sectors. With these figures in mind, more layoffs are likely. Estimates for 2009 vary, but put the unemployment rate in excess of 3 percent of the labor force; at least double the 2008 rate. The Fiscal Policy Office projects the rate to rise to 3.8 percent (within the range of 3.3 to 4.3 percent). The NESDB estimates that 1.3 million (3.5 percent) will become jobless this year. A worst-case scenario projection from the University of the Thai Chamber of Commerce puts the number of jobless at above 2 million (5.3 percent). This would indicate that unemployment in Thailand will triple this year.

RTG Policy to Combat Unemployment

17. (SBU) At a May 14 meeting with Econoffs, Deputy Director General Songsri Boonba of DOE described the Ministry of Labor's six-pronged policy to combat unemployment dubbed "three reductions and three increases." The first "reduction" is in the number of layoffs,

which the RTG aims to accomplish by encouraging companies to reduce working days and overtime instead of cutting personnel. Specifically, the RTG is encouraging companies to follow Section 75 of the Labor Protection Act, which requires employers to pay employees 75 percent of wages when business activities are temporarily suspended, either in whole or in part. Songsri explained that some companies have teamed up with the DOE to conduct on-site training for workers to attend during their time off due to reduced hours/days. Interestingly, she also stated that some workers have resigned after having their work hours decreased in hope of finding an opportunity with better pay.

¶18. (SBU) To avoid further layoffs, the RTG is also reducing employers' and employees' monthly contributions to the national social welfare system. Employers and employees have each generally contributed 5 percent of the employee's salary to the social security system and the government 2.75 percent. According to Songsri, from July 1, employers and employees will each be required to contribute 3 percent. The reduction in contributions is expected to reduce the cost burden on businesses and allow them to keep more people on the payroll.

¶19. (SBU) The second reduction is in the number of workers that move from rural to urban areas, which the MOL hopes to accomplish by creating temporary jobs in rural areas. Songsri did not elaborate on this policy area, but the temporary jobs created would likely involve short-term construction projects paid for or backed by the RTG. The third is to reduce the cost of living of workers by controlling the price of goods. (NOTE: Songsri stated her office is working with the Department of Commerce in this area, which likely involves controls on the price of sugar and the provision of generic products. End Note.)

¶10. (U) In terms of the three "increases" in this six-pronged employment policy, the first is to increase employment, which the RTG hopes to facilitate through the hosting of job fairs nationwide. A widely publicized two-day job fair was held in March in Bangkok's posh Siam Paragon mall. In addition to traditional positions, the job fair showcased examples of self-employed work, such as making photo frames and artificial flowers from banknotes. Other job fairs have been held across the country. The Department of Employment reported that approximately 30 percent of those who have participated in a job fair have subsequently found employment. To help with job placement, the RTG has established employment service

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centers throughout Thailand to aid laid-off employees. Companies with vacancies send representatives to recruit employees at the service centers. Center staff reach out to industry associations and federations to match perspective workers with openings.

¶11. (U) The second "increase" is to the skill of workers, chiefly through training programs to provide unemployed workers skills in areas where there is a growing demand. To accomplish this, the DOE has set up the aforementioned onsite training programs for workers to attend during their time off due to reduced hours/days. Additional training programs include the high profile Tonkla Archeep ("vocational seedling") program, a 6.9 billion baht (203 million USD) vocational training program.

¶12. (U) Under the Tonkla Archeep program, which is administered by Deputy Prime Minister Korbsak Sabhavasu's office, individuals are eligible to take a free vocational training course (under a month in length) in one of seven subject areas: agriculture, construction, trade, transportation, computers, services, and industry/manufacturing. During the course, participants receive a living and transportation allowance. After course completion, graduates who choose to return to their home province (from central areas where the courses take place) receive a small stipend for up to three months.

¶13. (U) Since the program began, approximately 170,000 individuals have applied for the training, according to Deputy Director-General Songsri. Given the high demand, applicants must first meet certain qualifications and are then selected for training on a random basis. Approximately 20,000 individuals received training through the

program in April; 50,000 were expected to take courses in May. The RTG's target is to train 500,000 individuals in total - 240,000 before the end of the fiscal year and 260,000 the next.

¶14. (U) As with any new program, there have been some reported problems, although the RTG claims some have already been addressed. As an example, Narong Pechprasert, an economist from Chulalongkorn University, criticized the government (through the media) for not turning to the business sector for assistance in organizing training programs. He also noted that the government may be risking limited time and money to develop skills that do not meet the requirements or standards of the market.

¶15. (U) The third "increase" is to employment options for workers through the promotion of alternative occupations. This policy approach is focused on individuals over 40 who may find it more difficult to find new employment after being laid off.

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